

Civil society and the 'commanding heights':
The civil economy: Past, present and future

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Civil society and the 'commanding heights'

The civil economy: Past, present and future

Rob Paton and Roger Spear, the Open University



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About the Commission of Inquiry into the Future of Civil Society in the UK and Ireland

The Commission of Inquiry into the Future of Civil Society was established to explore how civil society could be strengthened in the UK and Ireland. The Inquiry Commission was chaired by Geoff Mulgan and was also informed by an International Advisory Group.

The objectives of the Inquiry were to:

- explore the possible threats to and opportunities for civil society, looking out to 2025;
- identify how policy and practice can be enhanced to help strengthen civil society;
- enhance the ability of civil society associations to shape the future.

The Inquiry Commission's work began with an extensive futures exercise to explore possible futures for civil society. Drawing on the findings of the futures work, which are documented in two reports, *The Shape of Civil Society to Come* and *Scenarios for Civil Society*, the Inquiry Commission agreed to explore the current and possible future roles of civil society associations in relation to the following themes:

- **Growing a more civil economy**
- **A rapid and just transition to a low carbon economy**
- **Democratising media ownership and content**
- **Growing participatory and deliberative democracy**

This paper was commissioned to inform the Inquiry's work on the roles of civil society associations in growing a more civil economy.

The final report of the Inquiry Commission, *Making good society*, was published in March 2010.

For further information about the Inquiry and to download related reports go to www.futuresforcivilsociety.org

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Executive summary

Civil society associations, including voluntary and community groups, trade unions, faith-based organisations, co-operatives and mutuals, have long influenced the economy.

Civil society associations can run businesses and they can run organisations that aim to influence businesses. Together, these two sorts of association help to grow a civil economy. This paper reviews the history of the civil economy and looks ahead to how it may come to have a greater influence in the future.

During industrialisation, many civil society associations were of a heavily economic character – notably friendly societies, mutual insurers, retail, saving and agricultural co-operatives and trade unions. These achieved considerable economic influence, dominating some industries and counting their members in millions – indeed, in parts of the country in its heyday, a third of households were members of ‘the Co-op’. Civil society associations were often rooted in social movements, promoting and reproducing distinctive values. Though self-sufficient, they had to engage with government – both as a precondition for their success and as a consequence of it.

While friendly societies were practically extinguished by the post-war welfare state, the other classic forms of the civil economy have continued to be influential, suffering relative decline (and/or demutualisation) in some cases, but consolidation and renewal in others. The co-operative and trade union movements still count their members in millions. Moreover, during the last 50 years, many new forms of civil society engagement in economic activity have emerged: the ‘third sector’ has grown rapidly as part of a search for better ways of delivering the ‘growth industries’ of health, social care and other public services; the environmental movement has given rise to green businesses and many new campaigning and certification bodies (as has the trade justice movement); and information and communication technologies have given rise both to new forms of productive activity (the open source movement) and new ways of organising. The last 30 years may have been the era of the market and the multinational corporation, but the foundations for a much stronger civil economy were also being laid.

But what benefits do these economically focused civil society associations bring? How do they achieve them? When and why might they warrant some public support? One answer is in terms of diffuse general benefits – for example, building social capital and strengthening a progressive normative environment (the precondition for reforming business behaviour). A stronger, more specific answer is that the presence of civil society associations in a given field or market will often be important because of their impact on the way that industry evolves. Such impacts are specific to particular times and contexts, but it is possible to distinguish (and give examples of) some of the main ways they are realised. These include providing beneficial competition, a form of regulation, a source of innovation, pluralism in the provision of large-scale public services or simply valuable alleviation of economic hardship during times of restructuring.

National and international experience suggests that, where forms of social enterprise prosper, they build up their own support infrastructures and also influence the public authorities to dismantle legal barriers, recognise the beneficial side-effects of social enterprise business models, support appropriate training provision and regulation, and ensure access to contracts and business services. When they succeed, the growth process is interactive and cumulative, with civil society associations gradually being able to modify or shape the institutional environment as their economic standing, technical expertise, social and political alliances, and popular legitimacy all accumulate.

Currently, a wide range of civil society initiatives exists in all the major areas of societal concern – including retail supply chains, the financial system, carbon reduction and energy production, health and social care, the media and the arms industry. Some offer ethical alternatives in industries where corporate providers have frequently been shown to be untrustworthy or complicit in socially or environmentally damaging practices. In doing so, they address matters of widely acknowledged public concern – for example, deforestation and poverty in the global south – with the potential to command broad and deep support. Others raise awareness on emerging issues. Moreover, trends towards more distributed leadership, networked governance and online collaboration give grounds for cautious optimism.

However, the development of a more civil economy will require that the initiatives mentioned above, as well as numerous other new social movements find expression and take root. For them to do so, a number of things will be necessary: first, the development of strong horizontal links among a plethora of grassroots groups to allow them to work together effectively. Second, the development of vertical links. There is a role for civil society as the convener or broker of complex, multi-party initiatives. At the highest level, these might involve both national and international public bodies as well as multinational companies and campaigning non-governmental organisations (NGOs). More locally, it might involve bigger civil society associations acting as lead contractor or key intermediary in partnerships involving a number of small civil society associations and a public authority.

This will require an organisational capacity which has often been missing from the sector. However, there are some signs that point to where such organisation and leadership might come from. There are the new means of organising offered by the web. Second, partly as a result of this, more direct methods of activism are on the rise. Finally, there is a large pool of underemployed or unemployed talent among the so-called third-age group.

Civil society associations acting alone will not succeed in creating a civil economy. Relationships with government will be critical and pose a particular challenge, since the development of a stronger and broader civil economy will require both a strong state, setting and resetting the ground rules for economic activity in different industries, and a more restrained state, one that is less active as a provider and manager of services. This will involve a difficult balancing act. Only governments can legislate to provide the necessary conditions for a civil economy to prosper and can act to ensure a fair field for civil society associations. At the same time, they need to be able to see when not to interfere and to allow civil society economic initiatives the room they need to grow and flourish.

Introduction

The purpose of this paper is to stimulate discussion about the possibilities for civil society to play an expanded and more influential role in the economy of the UK and Ireland in the future.

Civil society associations can be active in the economic sphere in two ways. The first is through business organisations run under associational governance – for example, co-operatives, credit unions and other social enterprises. The second way is through associations that aim to influence the business or economic decision-making of others – for example, trade unions and campaigning voluntary organisations and NGOs. In this paper, the term civil society association is used to refer to both these types of initiative: civil society businesses and business influencers.

The civil economy is where civil society and the economy overlap. It is those parts of civil society that are concerned with and engaged in economic activity. Equally, it is those areas of economic life embedded in or noticeably influenced by civil society activity. Appendix 1 offers a short primer on the terminology of this territory.

This paper starts by looking back to demonstrate that, historically, civil society had a massive economic presence. In doing so it introduces the ‘classic’ forms of the civil economy: friendly societies, mutual societies, co-operatives and trade unions. Part 2 then looks at the current situation, noting relative decline in some spheres, but also a wide range of new developments.

Parts 1-2 are concerned with experience in the UK and Ireland. Part 3 introduces some international examples and comparisons. Along with material provided in the previous sections, these are used to help explore an important issue: how much influence can civil society associations have in the economic sphere and how is it achieved? This leads to a discussion of the way civil society and public policy interact, to affect the evolution of industries, institutions and economic governance.

That more analytic job done, Part 4 looks ahead to the prospects for the growth of a civil economy. It offers an overview of the main areas in which societal challenges are obvious and civil society associations are already emerging as important actors. It draws on a workshop which imagined how civil society might come to be much more influential in the economic sphere, the thinking of which is summarised in Appendix 2. It then goes on to consider some of the preconditions for such a build-up of civil society ‘muscle’ in the body economic.

Finally, while acknowledging that economic engagement is no more a panacea than other approaches to social change, Part 5 speculates briefly that the idea of a civil economy may nevertheless be useful as offering a banner under which efforts to affect societal evolution, of many sorts and at all levels, might comfortably congregate and find some measure of common cause.

1

Part 1: Civil society and the economy in the transition to modernity

The contribution of civil society activity and the forms it took during industrialisation were often of a heavily economic character. Indeed, the differentiation between the private and the social sectors is itself relatively recent.

In Adam Smith's day and before, civil society was an expression that encompassed business enterprises and occupational associations (merchant companies, guilds, friendly societies) as well as civic and learned societies, trust-endowed schools, colleges and alms houses, and religious bodies. Their shared characteristic – and often concern – was independence from the state and the capacity to direct their own affairs.

As Bakan (2004) notes, the differentiation between the economic and the social spheres, and the gradual emergence of the corporation as a legal form, took many years.

Table 1 summarises some of the principal areas of civil society activity during this period. It is constructed to highlight the broad areas in which people were confronted by pressing issues; the ways in which they acted together, in doing so evolving progressively more effective and organised responses; and the lasting legacy of these initiatives, from which society still benefits.

Predominantly, the pressing issues concerned basic needs – for food, income security, health and housing. Friendly societies, found across Europe from the 17th and 18th centuries onwards but with roots going back much earlier, were important in their own right as well as being the starting point for other initiatives. Beyond a strong social dimension, their main economic function was as a form of insurance against unemployment, sickness and death (funeral benefits and widows' pensions). Members would pay small monthly or weekly amounts into the common fund of their independent local society. In the 19th century, the movement grew rapidly and became dominated by national and international societies with networks of quasi-independent local societies affiliated to national grand lodges. The most notable of these 'affiliated orders' were the Oddfellows, the Ancient Order of Foresters and the Independent Order of Rechabites (a temperance order). An estimated 925,000 members in 1815 had increased by 1898 to around 4.2 million members of registered societies (Gilbert, 1966). Their importance was increasingly valued and, under the 1911 National Insurance Act, they became an important part of the first national social insurance system.

Table 1: Civil society activity and the economy during the transition to modernity

Societal or community problem	Civil society responses and organisational forms	Institutional legacy
Slavery and the slave trade	Campaigning to express moral outrage; court action to free those in slavery; economic boycott; campaign in Parliament.	Human rights legislation; economic sanctions.
Adulterated food, fire, illness and other hazards	Mutual aid in buying food; group saving and loan schemes; mutual insurance; economic organisations under associational governance.	Worldwide co-operative movements; friendly and building societies; distinct legal frameworks.
Insecure and oppressive workplaces	Labour organisers mobilising for collective action; emergence of trade unions generating public and club goods.	Labour movement; health and safety legislation; employment law, the International Labour Organisation.
Housing and public health in cities	Progressive paternalism; Quaker entrepreneurialism; progressive charities; the 'garden cities' movement.	Progressive business tradition; progressive grant-making; housing associations.

The emergence of the mutual insurance industry was a related, parallel development providing fire or life cover for wealthier individuals, and marine and fire insurance for businesses. According to one authority: 'For most of the eighteenth century, three London mutuals – the Hand-in-Hand, founded in 1696, the Union, founded in 1714, and the Westminster, founded in 1717 stood alongside the two chartered corporations (Royal Exchange Assurance and London Assurance), and one private stock company (Sun), as the dominant fire insurers in the kingdom. Recent estimates suggest that the three mutual offices together accounted for over half of all receipts from fire underwriting in the capital for the first two-thirds of the century.' (Pearson, 2002, pp. 2-3).

While particular societies waxed and waned, the mutual form continued to be a very prominent part of the UK insurance industry through the era of industrialisation and beyond. It appears particularly well suited to situations requiring a long-term trusting relationship under conditions of uncertainty. By making customers also owners, conflicts of interest and opportunistic behaviour can be resolved and contained more easily.

Consumer co-operatives started forming in the early 1800s as a way for members to obtain unadulterated food at reasonable prices. Some started as variants of friendly societies or as offshoots of craft guilds; they were assisted from 1828 onwards by the practical, Owenite¹ publication *The Co-operator*. Then, in 1844, the Rochdale Society of Equitable Pioneers was founded, with its succinct statement of well thought-out core principles. This is generally taken as the moment of lift-off: the number and size of societies grew and they began to link up. Forty years later, more than a thousand were operating with some 700,000 members. The number of societies continued to increase for another 20 years, but already the real growth was in their size. Co-operatives came to dominate the retail sector and, through the Co-operative Wholesale Society, developed a powerful presence right through the supply chain, down to canneries and farms. In terms of membership, this had risen by the second world war, to some 8.5 million (Cole, 1944). More strikingly, the proportion of co-operators in the population ranged from a mere 10% in South Wales ('a desert', according to Cole), to 25% in Yorkshire and Lancashire and 29% across the north of England.

The building societies movement was another offshoot of friendly societies, initially as 'terminating' societies (members helped each other buy houses, until they were all homeowners, at which point the club closed down), and then from 1845 onwards increasingly as 'permanent' societies. Every town of any size came to have its own building society and, in 1860, there were 750 in London alone. At the outbreak of the second world war they provided more than two-thirds of UK institutional mortgage lending. While many facilitated home-ownership among the middle classes, some (notably Co-operative Permanent) successfully enabled working people to buy homes (Samy, 2008).

The co-operative form also met the needs of small farmers who were dependent on suppliers for inputs, and grain merchants, creameries and so on to sell and process many of their outputs. At a time when travel and transport were more difficult, these suppliers and merchants often became, in effect, local monopolies or local monopsonies (a market situation in which there is only one buyer), capturing a disproportionate share of the value created at the expense of the primary producers. Not surprisingly therefore, the co-operative form appealed to farmers. In Ireland they spread rapidly after the first one was started in 1889. By 1900 there were 374, and by 1913, almost 1,000. Starting initially as co-operative creameries, most soon diversified into multi-purpose agricultural societies, supplying inputs as well as processing outputs and providing insurance.

The years between 1880 and the outbreak of the first world war also saw a growth spurt by the trade union movement (by then their legal status had been more or less regularised). Numbers rose from three-quarters of a million to more than four million. The movement broadened out from its origins in craft unions imbued with nonconformism (another important movement in civil society) and self-help ideas (which found further expression in the mechanics' institutes and the Workers' Educational Association). It came to encompass semi-skilled and unskilled workers, who were more exposed to harsh and dangerous factory conditions and were increasingly influenced by socialist ideas. Whereas craft unions operated by controlling entry to particular trades in order to protect the terms and conditions of their work, unions representing semi-skilled and unskilled workers used collective bargaining with employers as the means to regulate terms and conditions

of work. During this period, too, trades councils were formed, leading in due course to the formation of both the Labour Representation Committee (later the Labour Party) and the Trades Union Congress. Trade unions, like friendly societies, also provided services such as unemployment benefit for their members.

These sketches are enough to show that civil society associations were integral to the development of the modern economy. Within several key industries – retailing, agriculture and financial services – civil society associations became a powerful, even dominant, presence. Other civil society associations provided basic social security and upheld progressive values in ways that variously supported, constrained and conditioned industrial development and the norms of business behaviour.

Three aspects of these developments are worth underlining. First, the success of early initiatives was far from certain: many failed, and it took time to evolve operating practices and arrangements that worked practically and socially and that could be imitated across the country. 'Innovation' is an accolade awarded retrospectively to the minority of attempts to do things differently that succeed.

Secondly, much civil society activity was associated with social or religious movements of one sort or another. Some major elements of the Victorian and Edwardian social sector (for example, the global temperance movement) have either shrunk or taken different forms, as social problems have taken new forms. But others, smaller and less visible at the time, have grown steadily (for example, housing associations, first developed by campaigners such as Octavia Hill). Often, successful civil society initiatives produced social movements as well as practical arrangements to tackle specific issues. The balance of contributions (in time and money) to likely benefits will have

been important for potential participants in the decision to join. For poorer people especially, this calculation and the associated risks will often have been difficult decisions. The decision may have been made easier, and stronger and more enduring bonds created, when membership was not a purely instrumental relationship. Hence, although 'economic' in character, the moral dimension, shown in concerns for human dignity, self-improvement and social solidarity, are also a marked characteristic of civil society activity during this period. The blend of moral and economic concerns varied – from the overwhelmingly financial attractions of mutual insurance, to the essentially moral impulse behind campaigning against the slave trade and slavery. But, arguably, the combination of practical problem-solving with the gradual articulation of a broader social or moral purpose explains how civil society associations in some areas built up into identifiable social movements with enduring legacies. The often mundane work of administering membership and governance, or savings and loans, or overseeing staff, was embedded in, and upheld by, a distinctive world view and normative order.

Finally, it is also clear that although these movements focused on their own specific activities and contexts, they also engaged with government and the democratic process. This was necessary to create appropriate legal forms and safeguards, and also to effect specific legal changes. For example, British trade unions had for years been inclined to eschew political activity, relying on their industrial muscle and collective bargaining to establish and enforce work regulation. Nevertheless, after a number of court cases had gone against the trade union movement (particularly the Taff Vale Case of 1901, which held trade unions liable for employer losses during industrial action), political activity was necessary to seek legislative changes. So these adverse legal rulings gave impetus to the 'political arm' of the movement – the Labour Party.

Table 2: The relative decline of locally managed insurance following the National Insurance Act (1911)

Approved* society	% Market share	
	1912	1938
Industrial life offices	41.5	47
Friendly societies without branches	22.8	28
Friendly societies with branches	23.7	16.5
Trade unions	11.4	8
Employers' provident funds	0.5	0.4
Total membership	12,390,000	18,170,000

* For the collection of NI contributions

Engagement with government was also a consequence of the movements' success. The development of friendly societies after the 1911 National Insurance Act shows this clearly. The government gave them a key role as approved societies for collecting contributions to a national social insurance system. The other approved societies were trade unions, employers' provident funds, and industrial life offices (non-profit subsidiaries set up by companies, such as Prudential Assurance, to gain approved status and thereby establish relationships with people who could then be sold other financial services). Table 2 shows what happened after the passing of the 1911 Act. Centralised friendly societies – those without local branches – and industrial life offices grew, while the friendly societies with affiliated branches and trade-union-run societies declined in their share of total membership.

So although, overall, friendly society membership increased from 5.76 million to 8.14 million members, tight government regulation meant that the membership dynamic was undermined: the distribution of any surplus was proscribed and the societies' capacity to manage their finances responsibly was limited by government scrutiny, increasing powers to intervene and declining state subsidies to the social insurance system. As Beveridge (1942) observed, some regarded the post-1911 partnership between the state and the friendly societies to be a form of creeping nationalisation, during which they lost some of their core values and practices.

Part 2: Civil society associations and the economy in recent times

In more recent times, the role of civil society associations in the economy becomes more varied and uneven. A simple way of reviewing this disparate experience is in terms of continuity and change. Continuity is represented by the decline, reorientation and further spread of the 'classic' forms of civil society economic activity discussed in the previous chapter. Change is manifest in the upsurge of innovative civil society initiatives in response to new socio-economic challenges and concerns.

The classic forms of civil society activity

The development of the welfare state in Britain precipitated a rapid decline in the number of friendly societies and in the nature and scale of their activities. Co-operatives, mutuals and trade unions have fared much better. The food arm of the Co-operative Group remains the fifth largest supermarket chain in the country, and it is a particularly strong player in some other sectors (especially funeral homes and travel agents). It still has more than 10 million members, its membership is increasing, and, through the Co-operative Party, it is well represented in Parliament. While demutualisation in the late 1990s reduced the scale of building society activity, reports at that time of the sector's imminent demise were unfounded. The carpetbaggers were resisted both within societies and politically through legislation that removed the opportunity that the 1986 Building Societies Act had created. Extrapolating from the most recent public statistics on market share, it seems that building societies have about 18% of mortgage lending in the UK. This is about half the share held by independent banks, with publicly owned – that is, failed – banks having the remaining 45% of the market.

In Ireland, co-operatives have grown to dominate agricultural services. According to McCarthy *et al.* (undated), by 1995, the membership of the country's 36 dairy co-operatives stood at almost 90,000 and they directly employed more than 28,000 people. At this time, the market share held by co-operatives ranged from 30% in beef and lamb processing, through 70% of grain purchasing and pig meat processing, to 97% of dairy processing. They are also very prominent in farm supplies and livestock marts (of which there were 34, having 47,000 members and nearly 1,500 employees).

However, a form of creeping demutualisation has led to their influence being diluted. To simplify a complex story, lax operation of co-operative principles led to a divergence of interest between co-op users and co-op members, and to problems in securing the capital needed to fund growth and technological change. In this situation, some large societies adopted the Co-operative plc model: they invited private investors to share ownership in a company running the co-operative's business activity. The best known of these is Kerry Group plc, which has become a multinational company with production facilities in 23 countries and a €4.8 billion annual turnover. McCarthy *et al.* comment: 'While all of these cooperatives originally intended to retain a majority shareholding in the Plc, it has been worrying to note that the cooperatively owned shareholding is decreasing ... Kerry Cooperative now holds less than 40% control.' Whether this trend will be arrested or will continue remains to be seen.

Trade unions flourished in the post-war period, and the trend for them to become more involved in political activity beyond the workplace continued. At their height, they had over 12 million members and were key actors in corporatist economic governance and policy-making through their seats, alongside employers, on the National Economic Development Council (set up in 1961). However, during the 1960s and 1970s, trade unions were increasingly caught between the raised expectations of their activists and members and the realities of industrial decline and technological change. When the defence of sectional interests imposed increasing costs on the wider economy and society, the movement lost public sympathy and standing. Nevertheless, trade unions still have 6.9 million members, a density of 27% of people in employment (Barratt, 2009) and they remain a taken-for-granted feature of industrial relations in many industries.

Moreover, these established forms of economic activity under associational governance have continued to spread in areas where people still seek to engage with the modern economy on affordable terms. One notable success is the credit union movement in Ireland following its rebirth in 1960. By 1995, savings totalled IR£2 billion, half the population were members, and more than 3,000 people were employed. The UK renaissance started later and has followed different paths, often as part of regeneration strategies in disadvantaged areas, and most successfully

as an offshoot of established churches or neighbourhood groups. More than a million members now save with some 750 credit unions, employing over a thousand staff (ABCUL, 2002).

So are these classic forms still relevant? Can they really compete in the modern world – and be different? Clearly, the challenge for any business in a changing economy is to maintain an attractive offer in a way that sustains a loyal constituency. Previously successful private companies routinely fail this challenge; they decline and are eaten up by more vigorous newcomers. Hence, one reason for the relative decline of co-operatives and mutuals is simply that, with a few exceptions (for example, the Phone Co-op), ambitious business start-ups have not chosen this legal form.

At the same time, social and industrial change has led to decline in areas of union and co-operative strength and to growth in other parts of the country or in new industries. Moreover, adapting to changed times presented specific challenges to these civil society associations: they had to renew their offer in a way that continued to combine economic and social value, and do this during what has been the era of the market and the corporation. This required them to uphold and reproduce distinctive values and beliefs, while still absorbing from their mainstream competitors any technological and business processes necessary for continuing viability in rapidly evolving markets.²

So, to the constant demands of economic adjustment and renewal is added the need to reinvent membership, loyalty and engagement for changed times. Progressive critics within the building society and co-operative movements can point to the neglect of principles and membership development. Equally, the movement's business leaders can point out that economic rationalisation was held back by an antiquated membership structure. Both are correct. Overall, civil society associations have done well enough to remain substantial players and some efforts are being made to search for new ways of renewing membership, loyalty and social purpose (for example, the explicitly ethical stance of the Co-operative Bank) under very different conditions from those in which the movements emerged and blossomed.

The new forms of civil society activity

At the same time, late-modern or advanced industrial societies have generated many new challenges and currents of social concern. A great number of initiatives have arisen in response and many of these have grown into economically significant undertakings. Simplifying ruthlessly, Table 3 summarises some of the main areas in which this has been happening. As before, it presents these developments in terms of the societal challenge, the civil society response, and the lasting systemic impact that seems to have resulted.

The major public services (health, education, housing, welfare, criminal justice) are economically very significant industries with further growth expected in health and social care especially. Civil society's presence in these sectors has been steadily increasing through the development of 'mixed economies' based on public service contracting, and the growth of the third sector, especially social enterprises. The reasons for this long-running trend essentially come down to three points: the aspirations and know-how of civil society activists, enabling them to envision better services; the better alignment of potentially divergent stakeholder concerns provided by third-sector organisations (and especially the greater scope for co-production³); and the fact that the policy cupboard is bare of any other credible strategies for making public service provision simultaneously more user-centred, cost-conscious and innovative.

The rise of environmental concern and the green movement in its various manifestations has had pervasive economic effects. Campaigning for legislative changes is only a small part of the story: the development of marques (for sustainable forestry, marine stewardship, and so on) and of new green industries (renewable energy, wholefoods, organics, recycling, composting) has been intimately connected with specific civil society associations. The same combination of engagement in new forms of economic governance (through Fairtrade, SA8000, and other certification schemes; through NGO status in United Nations and World Trade Organization processes) and direct economic production (through transnational social enterprises) is evident in relation to poverty in the global south. What started in Oxfam shops and church halls 30 years ago has come of age: the World Fair Trade Organization website (www.wfto.com) states that in 2008 in the UK, about 20% of coffee consumed and 25% of bananas eaten were fairly traded. Growth appears to be continuing through the recession – and, more important, the range of products continues to expand. This is an international phenomenon of increasing scale and professionalism.

Table 3: Civil society activity and the economy in late-modern times

Societal problem	Civil society responses and organisational forms	Institutional legacy
Limits and failings of welfare capitalism	Counter-culture, community action, feminism and single-issue politics.	Expanded third sector; more dynamic quasi-markets for public services; new modes of co-production in social markets.
Environmental degradation and climate change	Environmental movement in myriad forms; from global campaigning bodies and green businesses to the organic movement and community composting.	Carbon trading and other innovations in regulation; technological innovation; market differentiation; new market creation and 'defensive following' by established companies.
Poverty in the global south	Trade justice, anti-globalisation and movement of movements; campaigning, pursuing alternatives through NGOs.	Incremental advances in global governance through non-statutory regulation (for example, Fairtrade); shifts in public values.
Antisocial technological monopolies	Open source movement: software developers and other professional experts engaging in collaborative problem-solving.	Creative Commons licence and new structures in software and biotechnology industries.

Finally, the open source movement – essentially, a reaction to the privatisation of knowledge – has been one of the great civil society successes of the last 20 years (Weber, 2004). It also illustrates what is becoming more apparent and significant: the ways in which the new information and computing technologies (ICTs) can enable distributed collaboration, decision-making and governance. Increasingly, similar processes are being deployed in relation to other technologies (Jefferson, 2006).

Overall, it is clear that civil society associations engage as actively as ever with the economy by pursuing new forms of politics (through activism, engagement in governance processes and the creation of certification systems) and by developing new types of business tied into the values of specific constituencies and social movements. Of course, one can always take one specific initiative on its own (for example, Fairtrade coffee) and question its tangible benefits and impact. Indeed, the activists involved will often argue and agonise about this as much as anyone (they know the immediate benefits of Fairtrade will not Make Poverty History). But such arguments miss the bigger picture: the fact that ethical consumption has entered the mainstream economy. The major retailers dare not ignore this shift in customer values, and by embracing it they also reinforce it. Tesco's website recently boasted that a third of Fairtrade sales in the UK are made through its supermarkets. This means that all those Fairtrade messages are scattered

through their stores up and down the land, implicitly questioning the acceptability of so many other products, along with the business processes and trade regimes that deliver them. No political party could afford advertising on that scale, yet it is continuing indefinitely.

More broadly, big changes do not start with legislation – that happens towards the end of the process. Whether it is slavery or children being sent up chimneys, the change starts when these practices become controversial. The loss of social acceptability is the turning point. Of course, the vested interests fight rearguard actions but the more thoughtful in the business community, and those setting out on their careers, know better. Who wants to spend their life working for a discredited company in a dirty industry? All economic activity is embedded in a normative environment that constrains and shapes it. Civil society activity in its manifold expressions is the vanguard of that normative environment.

3

Part 3: Promoting a civil economy: why and how?

For those well disposed to such activity, questions about why and how to promote the roles of civil society associations in growing a civil economy often seem simple. It's just a matter of dismantling the barriers to social enterprise, including those arrangements that implicitly favour the private sector. In reality, things quickly become more complicated.

For example, are the difficulties of accessing capital a barrier restricting the proper development of the civil economy that needs to be addressed? Or are they instead a weakness inherent in the legal forms used to constitute social enterprises, a weakness that can only be overcome by government assistance? On the latter view, calls to remove barriers may look suspiciously like appeals for sectoral favouritism. There may well be a case for this, but any such state aid will always be open to some obvious challenges ('If they're so good why do they need additional support?'); they are likely to involve some familiar pitfalls (governments can stifle organisations even as they try to assist them); and they rarely help in setting priorities for the use of scarce resources (which of the myriad civil society initiatives offering diverse benefits are most worthy of support?).

Besides, one can be generally well disposed to civil society projects without imagining that they will always succeed in the short or long term. Idealising civil society organisations is no more warranted than idealising private companies or public agencies – as the research has shown: 'Various studies have compared the performance of private, public and nonprofit providers in fields where they all operate – such as health care (hospitals), nursery provision, schools and residential care for the elderly. These have often involved research designs in order to take account of hard-to-measure dimensions of quality, and to allow for differences in client intake. The overall pattern of the results is clear: the differences within a sector are much greater than the differences between sectors. That is to say, although a particular sector may come out on top in a particular comparison, all three sectors always provide a wide range of performance from the very well run to the badly run – with most organizations neither the one nor the other.' (Paton, 2003 pp. 8-9 and note 1 on p. 168 for key references).

It is possible, of course, that this finding will be refined or superseded by further research. Perhaps it will be shown that, in some fields, when a wider range of social benefits is taken into account, civil society associations do usually use resources more effectively. But this possibility only confirms the central point – that generalised claims of sectoral virtue are not enough. More specific evidence is needed of where and how civil society associations can be expected to provide additional benefits. The difficulty for policy-makers has been that arguments have either been very general (for instance, claims about the inherent benefits of co-operation, about building social capital or strengthening the normative environment), or ultra-specific, not to say anecdotal (for example, pointing to particular successes whose sustainability and replicability can always be questioned).

This section tries to address this issue by suggesting what sorts of benefits have been provided and may reasonably be expected in different fields or situations. First, however, some international examples and comparisons are introduced. As well as illustrating different types of benefit, these demonstrate what has been possible elsewhere and offer some pointers for how civil society associations and government can interact productively.

Some international comparisons and experience

(i) UK and European health insurance systems

In the debates during the second world war about the future of national insurance, Beveridge (1942, p. 32) proposed that the friendly societies should continue to have a role in a new welfare state, while private-sector industrial life offices should not. He argued that industrial life offices might have 'a direct economic motive to be liberal with the money of the Social Insurance Fund, in order to obtain or retain customers for industrial assurance and to increase the profits of their shareholders or the pay of their staff'. His doubts reflected long-standing problems over their mis-selling of burial policies and he argued that friendly societies which also sold additional products to top up state provision would be

more reliable agents for the government. This alignment of incentives was complemented by better administration, since the friendly societies had a good local system for checking sickness claims, while the industrial life offices did not – one of the reasons the latter preferred more straightforward life business such as burial policies (Mabbet, 2001). Beveridge also valued friendly societies for their sympathetic treatment of their members. Nevertheless, the 1944 White Paper on Social Insurance, and subsequently Parliament, took a different view, opting instead for a centralised state system of social insurance.⁴ The friendly societies declined rapidly thereafter.

In contrast to the UK, France and Germany both have 'corporatist conservative welfare systems' (Esping-Andersen, 1990), which have maintained more pluralist arrangements for financing the welfare system, retaining substantial roles for mutuals in social insurance systems. The French system, for example, is based on contribution funding, which places the emphasis on workers and their families, and it is managed by social partners (representing employers and employees). Like health systems everywhere, this one faces challenges, and its independence from the state has been eroded by gradual increases in regulation, along with higher levels of state subsidies (Palier, 1997). Nevertheless, with hindsight, Parliament might well have done better to follow Beveridge's advice in 1944.

(ii) The International Dispensary Association (IDA) and the market for essential medicines in Africa

Markets for medicines in low-income countries are potentially lucrative and dangerously under-regulated (the supply chains, from manufacture to use, are marked by strong incentives to cheat and mislead). Counterfeit and poor-quality medicines are widespread, leading not just to unnecessary suffering and death, but to disease resistance and the discrediting of scientific treatments. An economic study of these markets discovered that, in Africa, the International Dispensary Association (IDA), an NGO based in Amsterdam, had played a crucial role since the early 1970s. It had become a major wholesale supplier to African governments and health-care systems by focusing on the supply of essential medicines only, and by working hard to ensure quality as well as low prices. Its role as a benchmark and 'beneficial competitor' in the industry became apparent from interviews with its competitors:

'In every interview with competitors, buyers and with most international organizations, [the IDA] was mentioned unprompted, and aspects of firm strategy were explained with reference to the IDA.' (Mackintosh, 2008, p. 12).

It was, for example, described by an executive in a for-profit firm as 'the most aggressive player in the business'.

This market is currently undergoing major changes (manufacture has shifted to the Indian subcontinent; purchasing has become highly concentrated, either cutting out wholesalers altogether or changing their role), and these mean that IDA's influence may now wane. But the opportunities for other social enterprises based in Africa and India to set standards in their markets for essential medicines are opening up at the same time.

(iii) Wind power in Denmark and the USA⁵

Wind energy is now a rapidly growing industry, but it is not a new idea. For example, in Holland and Denmark it has a long tradition dating from medieval times. After the 1973 oil crisis, the ecological movement supported a new generation of wind power initiatives in the face of competition from nuclear and conventional sources of energy. Networks of community-based turbine owners and enthusiasts supported product development by manufacturers (mechanical and agricultural engineering firms). The movement's magazine, *Naturlig Energi* circulated information and technical assessments of different products and helped create a wider climate of support. This influenced the Renewable Energy Committee of the Danish Parliament, which helped shape policy towards wind power and pressured utilities to accommodate it.

As the technology has evolved, larger turbines have become the norm, and this has influenced some change in their ownership. In the early days, individuals erected them on their own land, then guilds (co-operative partnerships) became predominant in the key growth period after the oil crisis. Later on, utilities invested in the market, but since the mid-1990s, individuals (farmers) have again dominated ownership. The Danish government shaped developments by pressuring utilities to allow connections, by subsidising connections, by subsidising the erection of turbines and by supporting the Riso test station for turbines (crucial for incrementally improving designs by working closely with both users and manufacturers). In the early 1980s, the Danes began exporting to California where the subsidies were greater than at home. They had won 65% of the market in 1986, when tax breaks ended and the market crashed. However, the international market broadened and Danish manufacturers recovered to gain a leading role there instead.

Despite similar early experience of wind machines in agriculture, the wind power industry in the USA took a very different path, with aerospace companies aiming to develop wind turbines for utility companies. This was more technology push than the market pull of Danish wind power. The aerospace experience and the support of NASA gave advantages, but the need for maintenance-free reliability was underestimated. Although the Americans had their own wind power association, they did not have evolutionary cycles of development in close association with users. Thirteen companies received grants from the state-funded Rocky Flats testing station (less user-oriented than its Danish equivalent), but only one of them competed well in the California market. But when the subsidies were cut and the home market declined, all but one failed; product maintenance problems had rendered them uncompetitive in export markets.

This experience conforms to what has been found elsewhere in the study of innovation systems: user-driven 'cluster dynamics' sustain an evolutionary pattern of use, feedback and development.⁶ In this case, the formation of a trade association amongst Danish manufacturers and the wind guild ownership model, based on the Danish co-operative tradition, contributed to a grassroots movement of users and enthusiasts who, in turn, helped drive the technological development and supported calls for specific state assistance or regulatory reform.

(iv) UK Parent Playgroups and Swedish social co-ops

The Pre-school Playgroup Association (PPA) was formed in 1961 as a self-help movement based on the values of user (parent) development through involvement, and child development through play. With very little state subsidy, it grew from about 150 member groups in 1962, to about 18,500 pre-school groups and about 600,000 places in 1992 (Abraham and Macfarlane, 1992). After a structural review in 1991, it centralised its grassroots network structure and changed its name to Pre-school Learning Alliance (PLA) in 1995. It was at this time still the main form of provision. However, in April 1995 the Conservative government introduced a voucher system for part-time education of four-year-olds. With a change of government, policy shifted to a more comprehensive National Childcare Strategy covering a range of types of provision, governed through local partnerships. By 2000, the strategy had been extended to three-year-olds. Despite this substantial increase in funding and several vigorous campaigns by the PLA to raise their own profile, parent playgroups were not the main beneficiaries. According to Penn and Randall (2005), a net loss of 54,000 playgroup places occurred

in 1997–2001. Institutionally, the main beneficiaries were primary schools, although private nursery chains also prospered (and floated on the stock exchange). This happened largely because the government's childcare policy focused tightly on supporting welfare to work, addressing child poverty and raising the educational quality of childcare. The day-care needs of working families and other broader considerations (including gender equity, enhanced citizenship,⁷ community-building, etc.) were sidelined. The implementation process also played a role, since provision had to be governed through a partnership led by local authorities and contracted through LEAs. This had predictable consequences, marginalising the volunteer organisers and favouring more established partners – because working closely with the latter made the planning and allocation process easier for LEA staff. In these ways, policy changes to extend childcare provision resulted in a decline in provision through parent playgroup associations.

During roughly the same period, a more sympathetic Swedish state allowed a mixed economy of nursery care to develop with a substantial contribution from the social economy (almost 25% in 1998). The Swedish welfare system began to change in the mid-1980s, partly as a result of rising demand over a number of years. New legislation led to the development of a mixed economy of provision; it allowed other providers such as parent childcare co-operatives to be formed and to access public funds, and later, private providers were allowed to enter the market, resulting in a mixed economy of provision. Fee levels rose and subsequent government policy demanded that municipalities make childcare universally available, and in 1994, that parents' fee levels be capped. The mix of policy measures – liberalising but also regulating – has led to differences in provision between localities. By 1998, in Stockholm, the local municipalities still dominated provision with 75% of all childcare provision at day centres, 1.25% by for-profit enterprises, 10% by voluntary organisations, and 13.75% by co-operatives (8.75% by parent co-operatives and 5% by employee co-ops). Nationally, the co-ops provide between 12% and 15% of childcare provision. But despite the variation, researchers Pestoff and Strandbrink (2004, p. 75) found some general trends: 'It is thus clear that parent co-ops provide the socially most ambitious form of childcare. Here, both service quality and parental and social involvement standards appear to be substantially higher than elsewhere. But the municipal sector also seems to perform reasonably (indeed often very) well, although it partly caters to different socio-economic segments of the population. The relative low performer by comparison is corporate for-profit childcare.'

Civil society associations, public policy and industry dynamics

Most justifications for civil society activity in the economy point to their direct impacts – the benefits to particular stakeholders. From an economists' perspective, they take the firm as the level and unit of analysis and offer a static account of the potential or actual advantages (in terms of distributional benefits). The preceding examples suggest an alternative approach: to think in terms of industries, and to consider the different ways in which civil society associations may contribute to and influence the industries in which they work. Viewed in these terms, their roles and contributions seem to take the following forms.

Domination – in some periods, particular industries or market segments have simply been dominated by civil society associations. In their heyday, the building society movement, agricultural co-operatives in Ireland, and print unions in the newspaper industry are all cases in point. However, civil society associations, like other organisations, can easily become victims of their own success, and in evolving markets sustained domination is unusual: it stimulates innovative competitors and the growth of countervailing power.

Moderation – sometimes the presence of one or more civil society associations in a mixed or largely for-profit marketplace constrains the behaviour of other firms. The International Dispensary Association is a particularly clear example of this. Childcare co-operatives in Sweden may well have a similar effect. Likewise, the leading building societies provided beneficial competition in the mortgage and retail banking markets for much of the post-war period. The continuing presence of mutuals in the life-insurance industry is another, and interesting, case in point. The prevailing view among economic historians is that by making policy-holders into owners, the mutual form reduces conflicts of interest and prevents shareholders from taking advantage of their customers – a risk which is very real given the duration and uncertainties that characterise life insurance. On the other hand, as well as the usual difficulties of acquiring start-up or expansion capital, the governance processes of mutual societies appear to exert less pressure for cost-containment and investment performance than their private-sector rivals. As a result, private insurers will often outperform mutuals, - but only so long as they can restrain themselves from extracting ever more value from their highly vulnerable customers.⁸ Hence, each form has the weakness of its strengths, but together they go some way to ensuring both competitive pressure and the upholding of the interests of policy-holders within the industry.

Regulation – in farming, environmental and labour standards, and trading practices, certification schemes have become an established form of non-statutory regulation. Civil society associations have played leading roles both in creating most of these schemes and in monitoring conformance. Such initiatives can be usefully understood as instances of institutional entrepreneurship: they create new institutions – standards, measurement practices, ratings agencies – that then affect the behaviour of an entire field. Such leverage is obviously attractive, but it is also hard-won. Existing firms and agencies in a field will not be inattentive to developments that may affect them. Where civil society associations succeed, it seems to be because they have established themselves in a key position, both widely respected and in communication with diverse stakeholders. They can then use this status to develop and promote both operationally feasible routines and practices, and a clear, credible 'story' about the necessity and value of the new arrangements.⁹ Such developments extend the already substantial regulatory role of civil society associations to other areas. In particular, an extensive body of work has shown that the problems of preserving 'commons' (such as grazing lands, forests, groundwater basins and fisheries) are better handled under associational governance than under either statutory regulation or a regime of private property rights.¹⁰

Innovation – at times, civil society associations have effectively invented new technologies and business models which have then been taken up in adapted forms by the private or public sectors. The low-cost, portable, high-performance water pumps developed by Kickstart for African farmers, but with supply and maintenance provided by private businesses, is a recent case of technological innovation.¹¹ In terms of business models, modern microfinance was invented by Grameen Bank, but it has long since ceased to be the preserve of civil society associations. Private banks stimulate and support lending clubs as a way to increase the market for commercial banking services.¹² On other occasions, as with wind power in Denmark, civil society associations play a vital enabling role. Such market, or user-driven innovation (through evolutionary cluster dynamics), has been noted in various industries. Examples include software development, extreme sports equipment manufacturers developing close ties with youthful enthusiasts, and drug development for low-income populations of sufferers by the Institute for One World Health (Benkler, 2006).

Incorporation – where civil society associations have come to lead or dominate in a field whose importance is then deemed to warrant either universal provision or major public funding, the result is generally the mixed blessing of incorporation, as the health systems of France and Germany illustrate. In the UK, the ambiguous status of housing associations – formally independent but intensely regulated – are the clearest example (and one where the contrast with, for example, Dutch arrangements is instructive). When governments work through civil society associations in this way, it is because they want to ensure some pluralism in provision as well as the advantages of arm's-length oversight. How best to handle the tensions that inevitably come with incorporation is an area meriting further research, preferably involving comparative studies. Another variant of incorporation is using the form of an independent mutual or not-for-profit legal entity to provide monopoly infrastructure or utility services (as in the cases of Welsh Water and Network Rail). Again, this avoids either integration into the state (with all the problems of drawn out decision-making and ministerial interference) or privatisation (with all the usual incentive misalignment and regulatory challenges).

Alleviation – the role of some civil society associations is to prevent or mitigate some form of economic exclusion. As noted, many credit unions in the UK have been set up as part of poverty reduction or regeneration strategies. Other civil society associations are formed to take over and run socially significant businesses that are insufficiently profitable to continue in operation under private ownership. Many community businesses (for instance, village shops and pubs) and worker co-operatives have been formed in these circumstances. Whether or not they achieve a turnaround and succeed in the longer term under social ownership, a measure of public support for these ventures can often be justified in hard economic terms, quite apart from their social benefits (Paton, 1989).

The international examples and comparisons illustrate other important points. What works depends on the context – as shaped by the way institutions have evolved and communicated in the currently dominant political discourse. This is most obvious when countries are compared. For example, the Mondragon co-operatives and the Italian social co-operatives, shining examples of innovation in co-operative development, emerged in Spain and Italy, where co-operative forms have a long and still-living tradition. By contrast, in other countries like Belgium the non-profit form (*association sans but lucratif*) is more often chosen.

And in the UK, with its stronger transatlantic policy networks and influential Third Way commentators (such as

Giddens, 1998), social enterprise has been the preferred form. Context matters locally, as well. Amin (2002) showed, in his study of four cities, that Middlesbrough's corporatist alliance between an 'Old Labour' council and one large paternalist employer left little space for the social economy.

Such differences do not mean that policy transfer and civil society association replication, scale-up and roll-out are bound to fail. It does mean that policies and practices copied from elsewhere may have to be developed flexibly and gradually, and in step with local institutions. The point is that the development of civil society initiatives in a given field is path-dependent: when they succeed, the growth process is interactive and cumulative, with the civil society associations gradually being able to modify or shape the institutional environment as their economic standing, technical expertise, social and political alliances and popular legitimacy all accumulate.

To put the point another way, part of the process of institutionalising a social innovation is ensuring that it is embedded in its social and political environment. This requires engagement with the governance of the field or industry in question. Thus, for example, when the Italian social co-ops developed in the early 1980s, the early initiatives were carried out by pioneering social entrepreneurs using existing legal structures and it was only as the movement grew that it negotiated a complementary institutional framework, comprising both a more appropriate legal form and recognised federations (*consorzi*) that support individual social co-ops. Likewise, the EMES analysis of 160 work integration social enterprises in 11 European countries noted that, usually, pioneering initiatives have been followed by new legislation giving recognition to the innovative arrangements, and new public policies and programmes specially designed for them (Nyssens, 2006).

Of course, how much can be achieved varies according to the standing of the social economy. For example, some governments have introduced voucher systems for the purchase of homecare services; this has created jobs and formalised the informal economy (thereby reducing benefit fraud and increasing the tax gathered). In Belgium, this policy led to private businesses rather than social economy organisations gaining the highest market share (58% versus 25%). By contrast, in Quebec with a much stronger social economy, the voucher scheme for homecare services recognised the added value of the social economy and the tendency for the private sector to focus on the easier or more profitable segments of the market ('creaming'). Consequently, their voucher market was designed to favour organisations in the social economy.

In summary, this chapter has proposed that the contribution of civil society associations in growing a civil economy may best be understood by focusing on the different industries or fields in which civil society associations are active. Likewise, when they have succeeded, it is often at the industry level that a gradual reconstruction of regulations, commissioning policies and funding regimes has enabled them to consolidate and expand – thereby introducing new practices, setting new standards, integrating divergent interests and improving the functioning of markets. It appears that by influencing the evolution of an industry, civil society associations can, and quite often do, generate diffuse and long-lasting social benefits. Of course, this is not to claim that they all produce such effects; but they can bring them about in a variety of different ways, some of which, because they are indirect, can be easily overlooked.

4

Part 4: Prospects: Possibilities and preconditions for a civil economy

Previous chapters have reviewed the evolving economic contribution of civil society and explored some of the ways in which it has come to be influential at different times and in different places. This chapter looks ahead and considers how civil society associations might have more economic presence and influence. It addresses two questions:

What is already happening that may grow into increased economic influence? This means reviewing positive trends, initiatives and opportunities for civil society.

What else has to happen for these civil society initiatives and trends to gather strength? The aim is to highlight factors likely to condition whether, how far and how fast such positive developments continue to unfold.

As well as building on previous chapters, the discussion draws on ideas that emerged in the course of a workshop the Inquiry into the Future of Civil Society hosted, at which participants were invited to imagine that 'the 800lb gorilla of global capitalism' had been 'house-trained' by civil society. The question was: how might this (most plausibly) have come about? They were encouraged to focus on the 'commanding heights' of the economy, but were left to decide for themselves what this phrase referred to nowadays. Participants were asked to sketch out narrative fragments, as if they were passages from some future history written about 2030. This material was gathered, grouped under headings, in some cases developed further, and then circulated for comment and further ideas. In doing this, nothing was included for which there was not some precedent or an evidenced trend; but of course, it is not in any sense a prediction. The result – given in Appendix 2 – is a version of a scenario developed as a stimulus for discussion and reflection.

Table 4 (see pp. 20-21) lists some of the societal challenges that have definite economic dimensions and that were identified through the workshop. It gives examples of the civil society initiatives that are attempting to address them. It sketches out the grounds for thinking that such initiatives may have the potential to gather strength and the sorts of impact that might be achieved. But can civil society activity grow this much additional muscle across so much of the body economic? To be sure, the increasing severity and urgency of some of these challenges is a motivator. But a more civil economy requires that numerous new social

movements find expression and take root – and this can only mean a lot of organising.¹³ If this much organisational capability has not been available before in civil society, why might it develop now?

This is surely a central issue – and three long-standing trends suggest a possible answer:

The development of ICTs and the web have reduced the transaction costs of organising and campaigning. Initiatives like Avaaz and Simpol,¹⁴ quite apart from the spontaneous use of social networking sites to share information and mobilise public support, represent new ways of connecting civil society initiatives behind focused campaigns. Virtual team-working by dedicated volunteers, often on a very large scale, is now commonplace.

The phenomenon of the third age is creating a huge pool of capable and experienced people outside of full-time employment. Often, they possess technical knowledge and expertise relevant to specific issues or they have general organisational skills. Wider experience and maturity can be particularly valuable in governance processes. E-volunteering is often flexible in the hours required and so can be combined more easily with other commitments. Clearly, too, the predilection of large organisations, both public and private, for high-intensity work patterns and for youth rather than experience, adds to the availability of mature talent. A deepening recession and rising unemployment would also increase availability.

Modernist politics – of mass movements and parties – has given way to more direct forms of social and political activism, what used to be called single-issue politics. New and creative initiatives continue to proliferate: some are campaigning or watchdog bodies, others aim to be financially self-sustaining. This upsurge of dispersed leadership – often, but not always, discussed in terms of social entrepreneurship – is increasingly supported by a networked infrastructure of funders, social investors, support services and incubators. It may be patchy, but this broad pattern is visible from distressed estates (where micro-grants enable 'can do' residents to pursue neighbourhood projects) through to national and transnational schemes to encourage social entrepreneurship such as those of Schwab and Ashoka.¹⁵

Table 4: Areas for economic action and intervention

Societal challenge: Issues concerning broad groupings	Indicative developments: Emergent civil society responses	Socio-economic logic and potential impacts: Why and how civil society associations may achieve influence
1. Economic power of retail brands		
Food quality: GMOs, food miles, pesticides, farming practices, salt/fat levels etc.	'Transition towns' movement, food clubs and co-ops, organic direct schemes, farmers' markets, slow food movement, numerous food-based social enterprises, 'grow-your-own' and resurgence of allotment societies.	Blurring of consumption and production; communities of enthusiasts offer added social value; emergence of alternative supply networks sustaining new markets; 'beneficial competition' prompts corporate responses and emboldens regulators.
Rampant consumerism: exploitative sourcing, throwaway products, environmental degradation, cultural warping, 'clone town' Britain etc.	'Living wage' campaign and new certification schemes; possible integrative super-marque as a strong brand of ethical consumption; counter-cultural activism – subvertisements, 'no shopping' days, etc.	Value alignment for 'ethical consumers'; civil society association marques are more trustworthy and simplify purchase decisions; gradual spread of simplicity lifestyles and 'post-consumerism'.
2. Dysfunctions of the financial system		
Financial exclusion of the 'un-creditworthy'.	Expansion of credit unions; peer-to-peer lending through Zopa, Kiva, etc.	Social capital overcomes market failure/low trust dynamics.
Disgust with/loss of confidence in commercial banking; conventional banks fail to understand social ventures or to lend reasonably.	Emergence of standards for ethical finance as in Islamic Finance: development of institutions (non-profit rating agencies) and instruments (social impact bonds) of social finance.	Higher standards reduce transaction costs of lending and loan supervision: pension funds introduce ethical criteria; foundations use mission-related criteria in managing funds.
Instabilities created by short-termism affecting global capital flows.	Watchdogs and campaigning groups re-corporate taxation, financial regulation, etc.	Transnational civil society networks combine expertise and legitimacy, and mobilise large numbers.
3. Carbon reduction and climate change		
Challenge of developing low-carbon lifestyles.	Transition towns, cycling clubs and lobbies; green-build initiatives.	Enthusiastic user-base provides feedback in development of new designs.
Renewable energy generation, energy efficiency.	Community-based windpower, solar and CHP; green energy companies offer feed-in tariff.	User-ownership avoids conflicts of interest; technology development and market creation.

Continued

Societal challenge: Issues concerning broad groupings	Indicative developments: Emergent civil society responses	Socio-economic logic and potential impacts: Why and how civil society associations may achieve influence
4. Health, well-being and social care		
Health care: impossibility of financing and providing the best care for everyone. Obesity and other diseases of affluence.	Expert patients; self-help groups around medical conditions; 'listeners' helping prevent suicide in prisons. Sports, dance, walking and other clubs and societies.	Co-production based on an asset-based philosophy – seeing people as the solution, not the problem. Mutual aid/gift economy – provides alternative system of social status and involvement.
Social care: rising levels of demand face cost and quality ceilings.	New forms of user involvement and control; service user co-ops for elderly people.	Co-production based on an asset-based philosophy: seeing people as the solution, not the problem.
5. Media, information and learning		
Shallow and selective journalism; distrust of government and corporate 'spin' and control of information. Desire for, or to share, knowledge and understanding.	Independent film-making and edu-tainment; fact checker websites; citizen journalists; anti-awards; rival media and events (social action film festival etc.); peer review processes; whistle-blower websites.	ICTs reduce costs of production and distribution, beyond corporate/government control; public service opportunity/mutual aid; chance to exercise creativity and talent, develop new skills; rewards of community membership/belonging.
Need for more, better, cheaper, closer and more timely learning opportunities in a knowledge economy. Obsolescence of knowledge.	Peer-to-peer learning; web-based communities of practice and interest; web-facilitated LETS schemes; Wikipedia and its derivatives.	Public service opportunity; chance to exercise creativity and talent, develop new skills; additional rewards of community membership/belonging.
6. The arms industry and organised violence		
Arms races in unstable regions; small-arms trade in the global south; guns and gangs in cities.	Watchdogs and campaigns concerned with the arms trade, specific weapons, corrupt arms manufacturers and dealers; conflict prevention and conciliation.	Combination of expertise, legitimacy and public support; ability often to operate 'below the radar'.
7. Broader economic governance: upholding the ground rules for a sustainable economy; challenging vested interests of rich and powerful		
Income and wealth distribution.	Watchdogs and campaigns around incomes distribution/policy.	Combination of expertise, legitimacy and public support.
Income security in old age.	Pensions campaigns.	Growing constituency mobilised through civil society associations, societies, service provision, self-help groups.

Needless to say, these three trends can, and often do, enable and reinforce each other. However, if they are to assist in developing the necessary muscle, some other conditions are also likely to be important. To succeed, many of the civil society initiatives indicated in Table 4 will require the development of extensive horizontal links sometimes among highly disparate grassroots groupings. This kind of organising is particularly challenging – for the very reasons that it is so important. It requires participants to go beyond their local identities and perspectives and make common cause with 'others' they may have feared or disparaged. Nevertheless, it can succeed, as the Alinsky-ist alliances of community organisations in London and elsewhere (often including inter-faith networks), which now have some notable achievements to their credit, have shown. Or some of the international campaigning networks and alliances that gave rise to the idea of a movement of movements; for example, the World Social Forum or, more specifically, northern NGOs and indigenous peoples' organisations combining to block World Bank funding of environmentally damaging projects. At a more mundane level, learning to work together in consortia to win and share larger contracts may be the way forward for some smaller civil society associations. Indeed, a consistent and crucial lesson that emerges from reviewing the experience of successful co-operative movements around the world has been the importance of building up their own infrastructure of financial, training, advisory and other services (see, for example, Cornforth *et al.* (1988).

Likewise, vertical links will be important for many of the initiatives, whether to access funds, specific expertise, political influence or visibility in the media. The best results from what has been gushingly termed philanthro-capitalism (Bishop and Green, 2007) have been achieved through such vertical coalitions. Media personalities, faith bodies, academia and progressive foundations have all been important in bringing together coalitions of the apparently powerful and the apparently powerless. Indeed, it is increasingly clear that a key role for civil society associations in an era of globalisation and wicked problems is as the convener or broker of complex, multi-party initiatives involving both national and international public bodies as well as multinational companies and campaigning NGOs: the Global Aids Vaccine Initiative is an example. More mundanely, another version of the contracting coalition could be formed by large, strong civil society associations acting as lead contractor and intermediary for smaller local ones.

Engagement with government and other public bodies is also going to be crucial. As was argued in the preceding chapter, the strengthening of the civil economy will require a continuing series of small adjustments to regulatory regimes (and occasionally larger ones) to remove blocks and encourage pro-social behaviour in particular fields or industries.

Currently, the agenda for such discussions includes:

- reducing barriers to volunteering and the recognition of professional volunteers in procurement contracts;
- reforming the welfare system to align better with the contribution of work integration civil society associations (and prevent perverse incentives associated with benefit loss);
- asset transfer policies to put community anchor organisations on a secure footing;
- clarification by the Charity Commission that the concept of fiduciary duty does not preclude the use of ethical and social criteria in investment policies;
- taking steps to educate public officials about the nature, functioning and contribution of civil society associations – in everything from the Small Business Service to service procurement in health and local government.

This list is far from complete, but it is enough to illustrate the often technical level at which many of the important discussions (and struggles) must take place. This is not to suggest that politics on behalf of civil society – or more accurately, particular civil society groupings – is now only a matter of managerial fixing. Some larger campaigns may well be required to promote more controversial changes. For example, it has been suggested that a national home-working initiative would reduce unnecessary commuting and promote better work–life balance, and would also assist local civil society. A different sort of continuing campaign may be required in order to end the political class's constantly disappointed love-affair with large corporate hierarchies, whether private or public.¹⁶ Of course, these are hard to avoid in some parts of public service (such as HMRC), but the emphasis on large-scale contracting in various social markets is demonstrably at odds with the very reasons why governments have sought to involve third-sector organisations in the first place (responsiveness to local circumstances, greater stakeholder engagement, co-production, etc.).

Overall, it is important to recognise that an increased role for civil society associations requires both decisive government intervention and some restraint and retreat by government. Government must remain strong because its role in redistribution is more, rather than less, important in open economies, especially in times of recession. Less obviously, it must also be strong because the creation of a civil economy will depend on a procedural state to set and uphold the rules of many pluralistic and constantly contested games. Just as the neo-liberal market required a strong, market-making state, so a mixed economy with a much enhanced civil sector will require a robust referee, one not enthralled by the rich and powerful, and with, so to speak, the ground staff to constantly recreate level playing fields.¹⁷

At the same time, however, the state must also retreat if civil society associations are to have the space to innovate and avoid creeping and dysfunctional forms of incorporation. This will involve recognising the gratifications and dynamics of power, and how deeply institutionalised some assumptions about the role of ministers and senior officials are. As long as ‘everyone knows’ these people have to remain in charge of all that happens and therefore need to be kept informed through extensive monitoring, then more fluid, responsive and creative forms of networked governance will only be possible unofficially, in precarious and circumscribed ways. Spasms of ministerial decisiveness in response to tabloid furores are no way to orchestrate the governance of complex industries.

The considerable challenge for politicians will be to combine the needed procedural strength with the substantive restraint and retreat. The reciprocal challenge for civil society leaders and activists will be to do as much as they possibly can for themselves, but then also to work constructively and frankly with governments when they have to, without becoming dependent on them in inappropriate ways.

5

Part 5: Conclusions: Starting from where we are

From inception, civil society associations have been heavily engaged in economic activity. Recently, under the banner of social enterprise, those activities have been rediscovered and extended. Some find the label and discourse of social enterprise troubling and warn of threats to the essential values, as they see them, of civil society or the voluntary sector. Nevertheless, its proponents are essentially revisiting and re-invigorating a long and honourable tradition.

Of course, the critics of social enterprise have a point: value-based economic activity is problematic. Some initiatives will, in time, either fail economically or degenerate socially. Moreover, some of the economic activity involves engagement with the state, which makes it doubly problematic.

Nevertheless, civil society associations can only go it alone up to a point. Often civil society can achieve its goals only with and through a degree of state action. Choosing purity over engagement simply risks a different sort of failure. Ultimately, to paraphrase Jane Mansbridge (1986), the fate of every social movement is to become either a sect or an institution. Radical political campaigns either fade away or learn to compromise with power. But this does not mean they face a choice between two forms of failure. Some changes are achieved and the shift to the centre opens up space for the next generation of radical initiatives. The same is often true in economic activity: the success of the building societies has also been their failure and a new generation of credit unions is now colonising the space they have vacated.

Currently, the opportunities for building up a civil economy seem to be greater than ever. The market and the state have both fallen off their pedestals. Civil society activity and social enterprise have far greater recognition, including cross-party support. A new financial infrastructure to support civil society associations is developing. Bringing about change

through disparate civil society initiatives resonates with modern social science and its understanding of nudges, networks and the evolution of complex adaptive systems.

Civil society is the new politics. Careers, including second careers, can be pursued within it – locally, nationally or globally. But when civil society initiatives become far-reaching, it is because they have come to incorporate and link up myriad small, local initiatives. These remain the essential source of people, expertise, information and legitimacy.

It is the linkages that are crucial. Collaboration between civil society associations is needed to scale up activity and to present forceful and convincing cases for change. With companies and government, partnership is the watchword – but it is more a question than an answer. It needs constantly to be re-invented through a vigorous blend of challenge and collaboration. When larger civil society groupings tap into the energy and support of the many smaller ones they become a movement with both moral force and operational capacity; they can protest, and they can devise solutions and carry them into effect.

Creating and sustaining these links will not be easy. But the new internet-based forms of networked organizing and participatory governance are still in their infancy. Coupled with the under-used organisational talent especially among older people, these developments hold out the prospect that the trend in the last 20 years for the civil economy to innovate, grow and strengthen will accelerate, not slacken.

Moreover, as an approach to social change, civil society activity does not ask people to be something other than they are. The networks they have, the know-how and the skills they already possess, the needs, interests and values that move them – these are where they begin, even if, through association and action, they are gradually drawn far beyond those starting points.

“I am done with great things and big things, great organisations and big successes. And I am for those tiny invisible molecular moral forces which work from individual to individual, creeping in through the crannies of the world like so many soft rootlets or like the capillary oozing of water but which, if you give them time, will rend the hardest monuments of men's pride.”

William James

Appendix 1: Terminology

Charity – an organisation, trust or foundation established to pursue philanthropic objectives and providing some kind of public benefit. Charities are not owned by anyone, and are governed by trustees who are required to pursue the purposes for which the charity was established. In many countries, charities have certain tax privileges.

Community Interest Company (CIC) – a company that exists to provide some kind of community benefit through trading activity. This legal form was introduced to make it easier for groups wishing to establish a social enterprise, for whom neither a co-operative nor a charity (or the trading subsidiary of a charity) were suitable forms.

Co-operative – a member-owned and governed enterprise with a distinct legal form (involving registration under the Industrial and Provident Societies Act). The members of the co-operative are generally the beneficiaries of the services it provides – so customers are eligible to be members of consumer co-operatives, and the members of a housing co-operative are those who live in the dwellings owned by the co-operative; the members of agricultural co-operatives are farmers, the workforce are members of a workers’ co-operative, and so on. Most co-operatives subscribe to the seven principles of the International Co-operative Alliance – these are voluntary, open membership, democratic control, economic returns in proportion to business conducted, autonomy and independence, member education, co-operation among co-operatives, and concern for community.

Mutual – an enterprise set up for the benefit of its members, but not running on co-operative principles. Mutual insurance societies have been particularly prominent in the US insurance industry.

Non-governmental organisation (NGO) – an independent organisation that is also not a for-profit business. This term is widely used in international development contexts, but refers to what would be called voluntary organisations or third-sector organisations in the UK, or non-profits in the US.

Non-profit organisation/non-profit sector – a broad category of independent organisations whose primary purpose is something other than making money. This is a US term that encompasses both charitable and non-charitable organisations (for example, sports and social clubs) but tends not to include co-operatives and churches. A defining characteristic is the non-distribution constraint, which prevents surpluses being appropriated by those controlling the organisation. It is roughly equivalent to the UK term ‘voluntary organisation/voluntary sector’, but, reflecting different institutional histories, the US non-profit sector is much larger, including some hospitals, universities and major cultural organisations.

Social economy – that part of the economy comprised of co-operatives, mutuals, associations and foundations, to use the institutional definition of the European Union. However, most people would agree that a social enterprise that does not use one of these legal forms (preferring a CIC form, perhaps) would still be part of the social economy. In the UK, the term ‘third sector’ (see below) is more common.

Social enterprise – a business with primarily social objectives whose surpluses are largely reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners (to use the Office of the Third Sector’s definition – there are many others, but usually the differences do not matter). A social enterprise can be established under several different legal forms – as a co-operative, a CIC, a company limited by guarantee or as a charity (private enterprises and public organisations can likewise be constituted using several different legal frameworks).

Social entrepreneur – someone seen as behaving in entrepreneurial ways but for social purposes. The literature distinguishes two broad types – those who have, or are aiming to, set up new social enterprises, and those aiming to introduce, or who have introduced, some social innovation. Such an innovation may be in or around the public sector, or work across sectors, but is not primarily about establishing a particular social enterprise.

Social sector – another broad term currently gathering favour in the US, perhaps as a more positive way of referring to the non-profit sector. The term independent sector is still also used sometimes. None of these terms has a precise definition, any more than do the private sector or the public sector.

Third sector – a broad-brush way of referring to the space between the public and private sectors, and to the sorts of organisations that are neither public organisations nor for-profit businesses. More specifically, it provides a way of referring to both the voluntary and community sector and social enterprises, at the same time and in a succinct phrase. In Europe, the term social economy would often be used instead.

Voluntary organisation – any independent association, but the term is most often used to refer to agencies and community-based organisations working in humanitarian, social welfare and cultural activity. The word voluntary, in this context, has nothing to do with volunteers, though of course many voluntary organisations do work with and through volunteers.

Appendix 2: Fragments from a future history

The material below is a reconstruction of ideas from, or stimulated by, a workshop at which participants were invited to engage in an exercise in wishful theorising. They were asked to imagine that ‘the 800lb gorilla of global capitalism’ had been ‘house-trained’ by civil society. The question was: how might this (most plausibly) have come about? Participants were asked to sketch out narrative fragments: as if passages from some future history written about 2030. Nothing was included for which there was not some precedent or an evidenced trend.

Workshop participants

Facilitation	Participants	
Rob Paton	Rajeeb Dey	Lee Esterhuizen
Chris Cornforth	Phillip Blond	Helen Kersley
Roger Spear	Ravinol	Richard Paton
	Chambers	Matthew Pike
	Jude English	Andrea Westall
		Vivien Woodell

The turning point

What became known as the crunch years – the belated global carbon alarm combined with the depression of 2009-13 – was the turning point for the prodigal societies of Euramerica. The historical puzzle is how the UK managed to land on its feet. Why did Britain avoid the disintegration, social polarisation, the reversion to statism and the spasms of ineffectual authoritarianism that befell other parts of the European Union? How did a society that lamented the way it was time-poor find so many people willing to put in the long hours needed for social and economic governance? If (as some political scientists now claim) these years saw a new political settlement take shape, this was hard to discern amid the turbulence and spasmodic social unrest of those years ...

... The challenges were not just economic and technological: they undermined the basic tenets of a shared political culture. It has to be recognised, for example, that in those days the idea of a level playing field in the economic arena was still tied to idealised versions of a free market. The long struggle to penalise the production of widely acknowledged bad by-products and to reward and facilitate the provision of agreed good by-products was, in those days, seen as aimed at distorting the proper functioning of the market, as a damaging restraint on enterprise and a provision of subsidies for otherwise unviable businesses. As far as Treasury mandarins and their agents across Whitehall were concerned, any shaping

of the market had first to be justified by demonstrating a specific and exceptional market failure. To suggest that free markets routinely failed in some respects while succeeding in others showed, like talking about death or sex in polite company, that the speaker was not ‘sound’ ...

... But it would be quite wrong to say that the crisis in itself forced new thinking and made decision-makers listen to new voices promoting more realistic and value-based principles for economic organisation and governance. Many clung to the old beliefs with the tenacity of fundamentalists. More importantly, however, the challenges were not resolved in Whitehall, but by animateurs across society. As social scientists had been noticing, the gradual spread of post-conventional value orientations meant that leadership and civic entrepreneurship were increasingly diffused through society.¹⁸ Once sufficiently enraged or inspired, these animateurs were too impatient to rely on traditional politics and turned instead to the growing professional, technological, social and financial support infrastructure that had been built up to foster independent social sector initiatives.¹⁹ In so far as they had a common outlook, it was ‘live the change’, and those years saw a proliferation of creative (as well as not so creative) initiatives at all levels of society. This chapter recalls some of the ways in which the new modes of economic governance and distributed social regulation have come about ...

The evolution of networked governance

Well before the crunch years, both the United Nations and the European Union had created new spaces for civil society to join in the processes of global and transnational governance. At the same time, fluid coalitions of celebrity, faith, philanthropy, activism and sections of the media were emerging to challenge orthodoxy on specific issues.²⁰ The influence that could be achieved through these arenas and in these ways was limited as long as the terms of debate were framed by neo-liberal assumptions. When these were discredited and governments, led by the Obama administration, took serious steps to regulate commercial lobbyists, the opportunities for global civil society suddenly increased. Usually possessing some combination of expertise, legitimacy and clout, its proposals on carbon reduction, tax justice, the arms trade and the regulation of financial flows were suddenly being taken seriously. The Tobin Tax was introduced in 2012; primitive licensing of the production and trade in small arms was introduced in 2014 (and then revisited every seven years since); tax havens were effectively outlawed by 2016 after a second global convention and treaty. In all of these, and the continuing stream of transnational initiatives to reduce carbon emissions, precipitate oceanic carbon, trap CO₂ and bring population growth under control, global civil society played crucial advocacy and mediation roles. Another milestone was the Edinburgh Agreement of 2020, which effectively set out the guiding principles for the single social market – in terms of tighter energy caps and trading, the oversight of corporate behaviour, triune accounting, the co-production of welfare services, and so on ...

... Writing in 2030, we take it for granted that global and European governance are exercised through a network of multi-stakeholder deliberative forums engaging civil

society associations, business and governments – even if everything is nominally still a matter of intergovernmental agreement. But it took time for world leaders to accept that workable regulatory ideas and frameworks emerge through extended conversations in intranational and international policy networks.²¹ The role of government leaders – pointing to the adaptive challenges, insisting that they are addressed, occasionally unblocking the process – is still crucial. But now, even media commentators realise that generalist politicians haggling over newly improvised clauses on complex issues at three in the morning rarely deliver wise pronouncements ...

... A similar trend started in the UK when the Cameron government, learning the lessons of its predecessor, made serious efforts to restrain its own cravings for short-term media reactivity, staged initiatives, centralised target-setting and other such command-and-control posturing. Later, the introduction of proportional representation (following the hung parliaments of 2017-18) reinforced a slow, always erratic, shift away from Whitehall managerialism. Nevertheless, the idea that government's primary domestic role is to oversee the architecture of governance and to uphold high-level frameworks for strategy, policy and public finance remains controversial. Many still think it is the job of cabinet ministers to sort out whatever the press say is today's problem – as the recent row over the prime ministerial adviser who was quoted as telling ministers: 'Don't just do something, stand there,' showed. But the spirited public defence by most civil society leaders of the wisdom within this remark is itself indicative of the shift in thinking that has occurred ...

Social policy and the growth of the third sector

... The growth of the third sector, already a 20-year trend, accelerated during the crunch years. Stalled by the collapse of the commercial property market, regeneration schemes took a much more bottom-up character ... The introduction of personal budgets for social care – a £35 billion market – was a powerful boost towards the co-production of public services, across a wide range of fields from custodial services through workfare to the well-being industry and community integration ...

... The reinvention of friendly societies for the 21st century was stimulated by the Cameron government's introduction of the option to capitalise social benefits so long as this was approved by a peer group.²² But these (and other)

locally-based societies became the vehicle for disparate initiatives from self-build housing co-operatives to carbon reduction projects (for example, combined heat and power on Scandinavian lines) to LETS schemes and real food clubs ... Less obvious in this upsurge of activity was the gradual clarification of the various symbiotic relationships between grassroots and larger third-sector organisations. Tensions abound still, of course, since they are inherent in the differences of role and perspective. But a greater recognition of the mutual dependence, informed by a better understanding of what each can and cannot do, developed steadily through a series of initiatives led by the Grassroots Alliance for Social Progress ...

Socialising finance

... The steady co-evolution of social enterprise and compatible institutions of social finance had been under way for a couple of decades before the crunch years accelerated the process ... Initially, the urgent need to provide credit to small businesses and restart the mortgage market led to the Post Office and Northern Rock (a successful building society-turned-unsuccessful bank) being redirected to provide new services – lending to small businesses through chamber of commerce-supported loan clubs, expanding the capacity and reach of community finance institutions, and acting as an agent to handle local authority mortgage lending. Later, when the Housing Corporation ceased to be both regulator and funder to the social housing sector, Northern Rock became one of the three recognised specialist finance houses. Then, in 2017, these strands of activity were brought together in the Rock Solid community banking brand that is now familiar ...

... During this time, too, social impact bonds started to be sold on an increasingly large scale, targeted at specific issues of social concern. The first, issued by Triodos Bank in 2011, concerned a scheme to reduce recidivism among young offenders through creating and running three purpose-built establishments (including secure accommodation) in major urban areas. Faced with the need to renew the overcrowded prison estate, the Treasury was delighted when a social enterprise offered to build and run some new capacity (PFIs, a baroque financial arrangement to secure private capital for public purposes, had been fatally undermined by the credit crunch). The Treasury had nothing to lose: it agreed to pay standard running costs plus (four years in arrears) an

attractive premium based on half of the savings arising from any demonstrated reduction in recidivism. In fact, these Neway Centres attracted the cream of the prison and probation services (frustrated by the restrictions of working in a massive, dysfunctional bureaucracy) and after some initial wobbles became an unambiguous success. The Neway approach was quickly replicated elsewhere, sometimes by other social enterprises and sometimes by joint ventures between private companies and civil society organisations (who had the ideas, know-how, community roots and values) ...

... Equally important was the concept of social impact bonds themselves. The precise arrangements varied, but the general idea was straightforward: a public service business, based on some more or less predictable income streams, was financed by investors attracted by a combination of market-related financial returns and a clearly associated social benefit; the main risks were carried by a first tier of social venture capital funding²³ ... By 2022, Rock Solid's People's Pension fund had joined in financing close to 1,000 schools through its purchase of Community Education Bonds ... However, this was only one among several developments – not least of which was the wider acceptance of instruments of Islamic finance – this meant that the Social Stock Exchange, launched rather optimistically in 2012, slowly built up the constituency of individual, organisational and institutional investors to ensure a reasonable degree of liquidity. Once investors were reassured that the inflow of replacement investors was sufficient to (more or less) assure they could get their funds out again, the SSE really started to take off ...

The three Ms – morality and mutualism in markets

... Powerful customer-facing brands – exemplified by the large supermarket chains – were the ultimate commanding height of the early 21st-century economy. The consumer ambivalences generated by market behaviour largely free of moral encumbrances and social ties were increasingly apparent: the devotion to bargains co-existed with regular spasms of outrage over food adulteration and contamination, dishonest labelling and advertising, child and migrant labour scandals, suicides among independent farmers reduced to penury, the destruction of town centres, fat-cat salaries, tax evasion and environmental crimes of all sorts – from over-fishing to the destruction of tropical forests. Challenged by the depression of the crunch years, the ethical consumer movement reached out not just to trade unions (through the Living Wage marque) but to the increasingly influential Radical Traditionalists in the Conservative party, who sided with small businesses of all forms against big business, urged one-nation social policies and saw conservation as a cornerstone of conservatism. Many new certification schemes were introduced, including several phoney labels created by large companies attempting to whitewash their existing practices. Not surprisingly, shoppers found the proliferation of different certification schemes tiresome and confusing (for organics, Fairtrade, living wage, ecological sustainability, supervised supply chains, healthy eating, work integration, local suppliers, livestock welfare, OK finance, etc.). In response, the Ethical Brands Convention of 2015 led to the introduction of the civil society kitemark. This was an umbrella label with gold, silver and bronze levels for products and, more significantly, for stores and store chains, as a whole (the

latter based on the proportion of goods sold that met the requisite standard). It was supported by a sustained marketing and media campaign and turned out to be just what many consumers wanted – a reliable way to simplify their purchasing decisions. Less immediately visible, but at least as important, was the adoption of civil society purchasing standards by public organisations following a joint statement from the Audit Commission and the NAO saying, through the usual circumlocutions, that the civil society kitemark could reasonably and indeed often should be used as a significant positive indication in public-sector purchasing decisions ... Before long, the Co-op, Waitrose and Marks & Spencer were engaged with civil society accreditation. In 2020, Sainsbury's and B&Q joined them, with a hesitant Tesco three years later. Wal-mart/Asda's opposition was only overcome when the government stepped in with a new tax regime for non-kited retailers as part of the comprehensive review of Company Law in 2025 ...

... All this depended on three decades of steady progress in social accounting and auditing, facilitated by online collaborative tools for logging, collating and verifying data. This work was boosted by the development of carbon accounting as a consequence of the Copenhagen Treaty of 2010 and came together in the Triune Accounting Protocol of 2021, signed off by all the major accountancy bodies. Arguably, too, the enhanced legal protection and civil society support for whistleblowers also helped change the climate inside companies; those tempted to falsify their records discovered that this was more difficult to conceal than they had realised ...

The public domain: culture, the media and technology

The revitalisation of the public domain was not just a result of the emergence of the blogosphere – important though that obviously was. The use of vacant commercial property pioneered by Arts Space was copied by others, including community activists pursuing various enthusiasms ... The growth of community media was accelerated by their gaining public funds – first through a BBC effort to head off the inevitable, and later by the new funding regime for public service broadcasting ... Progressive philanthropy networks were another source of funding for investigative web journalism, as it was for political edu-tainment about complex issues, or for satirists to ridicule the pompously powerful and out-of-touch. When the Press Complaints Commission ruled that it would draw on the findings of civil society fact-checker websites (such as the *Guardian*-sponsored BadScience.org.uk and the university-sponsored wiki currentmediaporkies.ac.uk) in responding to complaints, this both boosted the work of these groups, and began to rein in the worst excesses of PR cant, wishful commercial thinking and plain nonsense in the mainstream media (later, the journalists unions and professional bodies threatened to withdraw accreditation from egregious repeat offenders). None of this stopped people from denying the Holocaust or believing AIDS had nothing to do with HIV, if they wished to, but it did do something to restrain sensation-seeking editors from giving space and

credibility to absurd, dangerous and offensive views, and to institutionalise the right of reply ...

Such developments were part of a broader trend that saw the key skills of web technology spread through society, a trend which was, arguably, inherently democratising. The clearest case in point was the development of distributed models of information security and identity-confirmation (through largely open source means) and orchestrated by trusted civil society brands like the Phone Co-operative and Nationwide. Philosophically, this approach was far more congenial to the Cameron government – quite apart from the fact that the National ID card scheme had, as predicted, turned into a multi-billion pound black hole with no end in sight ...

... As ever, sport and music formed the basis for other cross-cutting communities. The world-famous Somerset Universal Festival of Inspirational and Sacred Music – where West African drummers, chanting Buddhists, Hindu incantations, whirling Dervishes and gospel choirs meet English choral music (and much else besides) – had originated as the Glastonbury rock festival. It gradually morphed, through world music, into its current form, after a younger member of the family who owned the Glastonbury site visited Fez one June. Some say this was important in taking inter-faith discussions beyond the worthily middle-aged, and even making them rather cool ...

Regressive tendencies, social tensions and outbursts of conflict

It would be quite wrong to think that civil society was the preserve of thoughtful, public-spirited and far-sighted citizens. In fact, every kind of Marxist, Islamist, white supremacist, eco-terrorist and Christian cult was preaching the coming of their version of the millennium or doomsday. But as the 9/11 Truth Campaign had vividly shown, despite there being many incarnations of widespread and keenly felt social alienation and distrust, these groups had as much difficulty engaging effectively with each other as they had with the mainstream. Explosions of angry protest over migrant workers, petrol prices, factory closures, home repossessions, rail ticket prices, sex offenders, hospital closures – as well as various ethnic and religious divisions – would lead to the formation of new campaigning groups. Some of these gained months or even years of media notoriety (through staged spectacular acts of sabotage, or the winning of mayoral contests or by-elections), but most withered quite quickly or morphed into something more constructive as they were drawn into a web of related campaigns or local and regional alliances ...

... The reasons why Britain failed to develop a nasty right-wing party capable of more than passing electoral success are still hotly debated. It has been argued that the *Daily Mail* fulfilled an important expressive function in this respect. Others argue that civil society itself was able to absorb and contain intolerance and hostility. On this view, the spread of multi-stakeholder governance and partnership working, various community planning, mediation and integration schemes, and forms of citizen juries were important. They meant that facilitation, consensus-building and conflict resolution skills were widely diffused through society. Others make a similar point, but argue that feminism and the increased participation of women better explain why discussions that would once, invariably, have been marked by adversarial stances, polarisation and/or resigned acquiescence could now be conducted much more often through dialogue and deliberation ...

The 'dirty' industries and moral rearmament

Abandoning its nuclear deterrent was bound to be difficult for any government – even if privately many politicians had been saying for years that they wished they could see how to get rid of it. The Obama administration's willingness to put disarmament back on the agenda helped, of course, but it was still a shock to many when the Cameron administration announced a review of the independent deterrent. At this point, a network of retired generals and admirals campaigning openly against Trident (and with the tacit support of many senior officers) played a critical role in reassuring the British public that the country would be more, not less, secure by diverting the funds to other forms of both hard and soft power ... Former members of the armed forces were also increasingly visible among a number of other campaigns – against landmines, small arms and collusion in torture. The shift in the role of the armed forces – from straightforward war-fighting to a mix of peacemaking, peacekeeping and international policing, often undertaken in collaboration with NGOs and local traditional institutions – had made the acquisition of new competences and thinking by officers an urgent, even life-and-death, matter.²⁴ This may explain why, though cruder views remain widespread, the armed forces now also contain a sizeable and vocal tough love subculture (see, for example, the Compassionate Warrior blog that has been running since 2016 and the chivalrousgrunts group on Facebook formed in 2020) ...

... These years also saw the gradual reconstruction of BAE Systems. This had been a major arms manufacturer. It became a national embarrassment as government efforts to conceal its corrupt practices gradually unravelled and as its over-ambitious expansion plans ran into the sand and its share price trickled ever downwards.

Unfortunately, no one knew what to do with it, especially at a time of high unemployment. Hence, the emergence of a credible green conversion initiative, led by the trade unions and professional staff association, was widely welcomed. In an initiative strongly redolent of the Lucas Aerospace Shop Stewards a generation earlier, the skilled workforce eager to showcase their high-tech system development skills (and worried about their jobs) started producing designs for new offshore energy technologies, carbon deposition devices and novel transport systems. But they did so publicly under Creative Commons licences, attracting the creativity and energy of frustrated engineers around the world (somewhat similar initiatives had been under way for some time in biotech fields). The Board of Directors was outraged by this challenge to their strategic insight (however discredited), but clumsy efforts to identify and discipline those responsible only led to conflict and a loss of confidence throughout the organisation. In this atmosphere, BAE Systems failed to win a major contract it had been betting on, leaving it open to short-selling by hedge funds based in Moscow, Shanghai and Brazil. At this point, a consortium of progressive financiers stepped in and bought a sizeable slice of the company for a song. They proposed that the company be split between Royal Ordnance work and a new division of British Alternative Energy Systems. Whether this had really been orchestrated by the ageing Lord Mandelson (or he just wanted some of the credit) is unclear. In any event, the coalition government, desperately concerned lest Britain lose out completely in the race to develop new green industries, immediately invited BAE Systems to discussions on this proposal ...

Governance as civil society; civil society as governance

... Research has shown that nearly all households are now involved, directly or indirectly, in some kind of consultative network or collaborative decision-making – though many of these take place online. Although social scientists continue to trade rival explanations, some trends and factors are not in dispute. The rise in unemployment meant that many people with, or seeking to develop, relevant skills were available to groups who needed to enlist bands of volunteers – or e-volunteers – to pursue their causes. And, in fact, the web turned out to be crucial in reducing the transaction costs of governance: the proliferation of new activist initiatives required an army of enthusiasts (some were obsessives, of course, but many were just willing hands, glad to have a recognised part to play in an undertaking they believed worthwhile). The trick was to develop methods of social web-working that were less demanding than open source production and more controlled than the early wikis – but still provided fun, recognition, responsibility and learning opportunities. As this became better understood from about 2010 onwards, it turned out not to be too difficult to catch the attention of passing surfers, stimulate a latent interest and develop it into a commitment and even a new strand of identity ... The home-working obligation of 2013 (requiring employers to enable home working unless it could be shown to be unfeasible) was also important. This was a means of relieving pressures on

the public transport system, reducing carbon emissions and supporting family life – but it also had the effect of making it easier to join in community activity ... It seems to have reinforced a pre-existing trend among third-age citizens to put something back through community governance. Their willingness to do this, especially the unglamorous heavy lifting of treasurer and secretary roles, was absolutely essential, and their social and political skills were often far in advance of the younger public and private sector managers that they dealt with in partnership boards and committees ... Interestingly, in different ways, this trend was reported from all levels of society – from the hometown associations of struggling diaspora communities through to the giving clubs of the well-heeled (a formation that seems to have started in California in the pre-crunch years) ...

The corporations and trading networks of global capitalism are as restlessly energetic and innovative as ever, but they have been house-trained, de-fanged, socialised and brought under effective oversight. They are now embedded within regulatory networks, are tied by norms of reciprocity with other business agents, and whatever their own views, are wary of being seen to disregard societal values and environmental limits that are vigorously overseen and upheld by the many small platoons that make up civil society's vast army ...

Endnotes

- ¹ Robert Owen was a social reformer and one of the founders of socialism and the co-operative movement.
- ² All this is all an object lesson in what sociologists call the tendency to ‘isomorphism’. Organisations become alike: they adopt or conform to what are taken to be best practices in a given field (and in doing so they identify with the thinking and values out of which those practices developed). DiMaggio and Powell (1983) is the seminal article.
- ³ Co-production refers to services being jointly created by clients and providers – with service users active in finding solutions for themselves and each other, rather than each being the recipient of separate professional interventions. For a clear, succinct overview of the concept and how it has been enacted in different settings, see NEF (2008); or see Pestoff (2009).
- ⁴ According to Mabbet (2001), private business (industrial life offices) contributed to nationalisation through their ‘sale of poor value policies’. But mutuals were squeezed between two dominant rationales: ‘competition and the emphasis on consumer choice’, which ignored key features of mutuals like ‘voice’, membership, and the reinforcing dynamic of dividends to member owners; and ‘statism’ in British public policy with its commitment to rationalisation and standardisation.
- ⁵ The key reference is Douthwaite (2002).
- ⁶ Likewise it illustrates ‘Mode 2’ knowledge production (to use the terms of Gibbons *et al.*, 1994). Whereas Mode 1 is concentrated in independent research institutions, Mode 2 is socially distributed in an extended web of strategic alliances and collaborations, and supported through informal networks and communication systems.
- ⁷ The benefits of enhanced citizenship have been elaborated by Hirst (amongst others) in his radical discourse on associative democracy (Hirst, 1993).
- ⁸ For a discussion, see, for example, Pearson (2002).
- ⁹ Institutional entrepreneurship is a concept still in progress. Maguire *et al.* (2004) and Leca and Naccache (2006) provide useful examples and ways into the discussion among researchers.
- ¹⁰ The work of Elinor Ostrom – for example, Ostrom (1990) – is seminal. Schlager (2000) provides a useful overview of this line of work.
- ¹¹ Unlike many other appropriate technology initiatives, the aim from the start was to ensure that the new technology became embedded in the local economy (Fisher, 2006, but see also the discussion in later issues). Its rapid take-up has evidently had such an impact that it is apparent in Kenya’s national income statistics.
- ¹² Microfinance is now an asset class and the sector supports its own publications and conferences – see for example, www.microfinanceinsights.com/index.asp.
- ¹³ Oscar Wilde said that socialism was impossible because there were not enough evenings in the week.
- ¹⁴ See www.avaaz.org/en and www.simpol.org.uk.
- ¹⁵ See www.schwabfound.org and www.ashoka.org.
- ¹⁶ For entertaining but constructive critiques of large public and private bureaucracies, see Seddon (2005) and the various publications of Triarchy Press (www.triarchypress.co.uk/index.htm).
- ¹⁷ Those who still think the state can just retreat and wither need to explain why there was absolutely no sign of this even after 25 years of neo-liberal dominance. Indeed, never before had so many lobbying bees buzzed round the government honey pots in London and Washington. See, for example, Gamble (1988) and Crouch (2004).
- ¹⁸ Of course, not all such leaders displayed post-conventional thinking – indeed, as always, some were more or less pre-conventional beneath a veneer of social acceptability. Interestingly, in those days this distinction was mainly the preserve of moral psychologists and, in consequence, much social commentary and analysis was given over to confused arguments about whether the increased individualism was social progress or social pathology.
- ¹⁹ A colourful account of one such body is provided in Esterhuizen, *et al.*, *UnLtd – the first 25 years* (London: Just Books cic 2027). There were many others, both local (The Scarman Trust’s ‘Can Do’ scheme was exemplary), national and international (for example, the Schwab and Ashoka fellowships).
- ²⁰ Jubilee 2000 – the ‘drop the debt’ campaign – exemplified many of these developments.
- ²¹ Except in the Netherlands, of course, where comparable processes had been institutionalised for years – see for example: A. Hollander, *How Europe is going Dutch* (London: Polity Press, 2018).
- ²² This was an idea borrowed from ‘Europe’ (Spain and Italy).
- ²³ Unfamiliar with these types of business and with entrepreneurs whose motivations they did not understand, the conventional banking system had exaggerated the risks and avoided this sort of lending. As Venturesome and other early initiatives discovered, default rates were quite low.
- ²⁴ For example, British Army soldiers had been studying Open University materials on war, intervention and development even as they struggled with the confused realities of Iraq and Afghanistan.

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What is civil society?

The working definition of civil society adopted by the Commission of Inquiry is:

Civil society as associational life: civil society is the ‘space’ of organised activity voluntarily undertaken, and not undertaken by either the government or for-private-profit business. This includes formal organisations such as voluntary and community organisations, faith-based organisations, trade unions, mutuals and co-operatives. It also includes informal groups, from the very local to global social movements.

It is important to note that all civil society associations are not necessarily ‘good’ in and of themselves. As noted by Tom Carothers, Carnegie Endowment for International Peace: ‘Civil society is the good, the bad and the downright bizarre.’ At their best, civil society associations can fundamentally enhance the lives of the poorest in society, strengthen democracy and hold the powerful to account. At their worst, they can preach intolerance and violence.

Civil society as a ‘good’ society: the term civil society is often used as shorthand for the type of society we want to live in; these visions are both numerous and diverse.

Civil society associations can, and do, play a critical role in creating a good society. However, they will not achieve this alone. Creating a good society is dependent on the actions of and interrelationships between the market, states and civil society associations.

Civil society as the arenas for public deliberation: people will not all necessarily agree what a ‘good’ society is or agree on the means of getting there. Civil society is therefore also understood as the arenas for public deliberation where people and organisations discuss common interests, develop solutions to society’s most pressing problems and ideally reconcile differences peacefully. These arenas are a key adjunct to a democratic society. They may be actual – a community centre, for example – or virtual, such as a blog.

In short, civil society is a goal to aim for (a ‘good’ society), a means to achieve it (associational life) and a means for engaging with one another about what a good society looks like and how we get there (the arenas for public deliberation).

“Civil society is the good, the bad and the downright bizarre.”

About the Carnegie UK Trust

The Carnegie UK Trust was established in 1913. Through its programmes, the Trust seeks to address some of the changing needs of the people in the UK and Ireland, in particular those of the less powerful in society. The Trust supports independent commissions of inquiry into areas of public concern, together with funding action and research programmes. There are currently two active programmes: the Democracy and Civil Society Programme and the Rural Programme.

The Democracy and Civil Society Programme has two elements to its work. The main focus of the programme is the Trust's Inquiry into the Future of Civil Society in the UK and Ireland. The second focus of the programme is the Democracy Initiative, which aims to strengthen democracy and increase the ability of citizens and civil society organisations to collectively influence public decision-making.

The Rural Programme helps rural communities across the UK and Ireland to respond to and influence social, environmental and economic change. The programme works to ensure that rural priorities are fully recognised by decision-makers. This is done through: securing the practical demonstration of asset-based rural development; testing Carnegie UK Trust's Petal Model of Sustainable Rural Communities; and hosting a Community of Practice for rural activists and professionals.



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Rob Paton has taught at the Open University for more than 25 years where he helped pioneer the use of Supported Open Learning for management development and has led several major curriculum development and design exercises. He was instrumental in setting up the Centre for Public Leadership and Social Enterprise, where he is based. Starting with studies of worker co-operatives in the 1970s, he has had a long-standing interest in how value-based organisations can sustain their social commitments and still ensure effective, enterprising forms of management and organisation. He has consulted to, and taught in, a range of public and non-profit organisations, and chaired the Trustees of the Scott Bader Commonwealth (a small multi-national chemical company of Quaker origins that has an international reputation for employee involvement and corporate social responsibility). He has served as Secretary of the Association for Researchers on Nonprofit Organizations and Voluntary Action (ARNOVA), the leading international body in this field, and is a member of the Advisory Council for the University Network for Social Entrepreneurship.



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Civil society associations can run businesses and they can run organisations that aim to influence businesses. Together, these two sorts of association help to grow a civil economy. This paper reviews the history of the civil economy and looks ahead to how it may come to have a greater influence in the future.

This report informs the Commission of Inquiry into the Future of Civil Society in the UK and Ireland, supported by the Carnegie UK Trust.

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